August 17, 2024

To,

The Listing Compliance Department
BSE Limited
P. J. Towers,Dalal Street, Fort,
Mumbai – 400 001
Scrip Code – 522295

The Listing Compliance Department,
National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051
Symbol – CONTROLPR

Sub: Transcript of Q1FY2025 Earnings Conference Call

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement), Regulations 2015

Dear Sir/Madam,

With reference to above mentioned subject and pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, read with para A of part A of Schedule III thereof, please find attached Transcript of the Conference Call with the Investors / Shareholders of Control Print Limited (the Company) fixed through Asian Markets Securities Private Limited (AMSEC) was held on **Monday, August 12, 2024 at 4.00 P.M. IST** on **Q1FY2025** of the Company**.**

Further, the said Transcript will be made available on Company's website at www.controlprint.com.

This is for your information and record.

Yours faithfully,
For **Control Print Limited**

MURLI MANOHAR THANVI

Digitally signed by MURLI MANOHAR THANVI
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Control Print Limited
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"Control Print Q1 FY25 Earnings Conference Call"

August 12, 2024

MANAGEMENT:	**MR. SHIVA KABRA – JOINT MANAGING DIRECTOR, CONTROL PRINT LIMITED** **MR. JAIDEEP BARVE – CHIEF FINANCIAL OFFICER, CONTROL PRINT LIMITED**
MODERATOR:	**MR. KARAN BHATELIA – ASIAN MARKET SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of Control Print Limited hosted by Asian Market Securities Limited.

This conference call may contain forward-looking statements about the company which are based on the belief, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections etc. whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Bhatelia from Asian Market Securities Limited. Thank you and over to you.

Karan Bhatelia: Thank you. Ladies and gentlemen, good afternoon and welcome all to the Control Print Limited Q1 FY25 Earnings Conference Call hosted by Asian Market Securities.

From the Management side, we have Mr. Shiva Kabra – Joint Managing Director and Mr. Jaideep – CFO.

Now I would hand over this Call to Jaideep for his "Opening Remarks". Post that, we shall open the floor for Q&A. Thanks and over to you.

Jaideep Barve: Hello everybody, good evening. My name is Jaideep Barve, and I am the Chief Financial Officer of Control Print Limited. Welcome to the Earnings Conference Call for the 1st Quarter of the financial year 2024-25. We appreciate that you have taken out your time from your busy schedule to attend this call. Mr. Shiva Kabra – the Joint Managing Director of Control Print Limited also joins me on this call.

The detailed "Presentation" has already been put up on our website as well as in the investor presentation notification on the exchanges for this call.

Let me provide you some highlights of the performance of Control Print Limited for the 1st Quarter of FY24-25 on a standalone basis:

On a standalone basis, the revenue for the 1st Quarter is approximately Rs. 89 crores. This is a good growth from the corresponding figures of Q1 of last year, which was about Rs. 80 crores.

On comparison with the full year 2023-24, the revenue was Rs. 324 crores. For us, pipes, food, cement, FMCG and beverages continue to be the top sectors. Our performance in Q1 is promising and the future period also augurs well for the company.

We have created key business verticals approach as part of our sales strategy, which we believe will put better thrust in our efforts and achieve greater success for us. The cost of goods sold is about 38% of the revenue in the 1st Quarter. We see a marginal decrease as compared to the previous period. However, we can definitely hope for an improvement in reducing this with optimized buying strategies.

The EBITDA, PBT, PAT and EPS, excluding the exceptional items, have grown by 15.34%, 15.42%, 14.55%, 16.96% respectively on a year-on-year basis. The way forward is the changed sales strategy to bigger and key accounts, which will definitely increase the revenue and also ensure good quality of it. We look forward to better penetration in the track and trace segment. We will increase our global footprints by managing our overseas subsidies in an efficient way. Our installed base will be increased, focusing on increasing larger market share.

The floor is now open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Yes, Namaskar Shiva Ji, Namaskar, Jaideep sir. Firstly sir, in your presentation, you outlined about global market access and new product and technology introduction. If you could just give where are we in terms of the, what are we trying to convey? And this is my first question.

Shiva Kabra: So, thank you, Saket ji, first for attending the AGM. I think you put a couple of questions there. We thought we would address it in this thing so that it all gets written down and gets circulated to all investors. It's easier that way. So, obviously, the thing is, we have been quite clear in past concalls that the essential market or the natural market growth rate of the coding and marketing business in a place like India, which is about 10% to 12% depending on the GDP growth rate about 1.5x-1.6x GDP. And that's the core growth rate that we would expect in the long term. And so, we said that because of the structure of the company, we have multiple opportunities available to us. Now that we are confident in our execution within the Indian market itself, which is obviously the most important market for us. So, that's the name that's we were building it. We had outlined the four specific aspects that we were looking at for increased growth. One was to look at setting up coding and marking in some international markets. First, we had a disaster in Sri Lanka and then COVID was there, so the travel was restricted and that held some stuff up. Now a lot of those plans that were made in the past and you are aware that Rahul Khettry was also there, so he had already done some surveys and some other market things. Now we are executing some of those plans to expand in certain other markets in the Middle East, Africa and Asia and countries so that's part of our strategy. And the idea would be that we can get a certain amount of growth without really requiring increased resources to that extent.

The second part of the strategy was to get more in the digital printing business. We have purchased equity in Markprint, since about two years ago. And that has been a bit of a slower integration in that specific regard. But in the meantime, we have also now in this current year, integrated all the technology in the previous year, and we are using some of those technologies in our own printers. The Markprint price tag itself is difficult to sell in India. And definitely, one of the areas just overall, I would say is like to look at the digital printing market or to get into coding plus so we can get beyond just date code, batch codes, and other statutory information.

The third strategy was that we were looking at also the software, the track and trace and logistics side of the business. And that's something we also started with our QRiousCodes division. We got on board, the entire team of another startup, and we invested in that business in the last two years. So, we are now doing reasonably well, it is picking up. So, that's definitely part of our strategy. It's mainly pharmaceutical focused. I will say it's 95% pharmaceutical right now, but obviously we also hope to extend it into other sectors over a period of time. So, that's the third pillar that we had. And then the fourth thing, which of course is the major investment was the V-Shapes opportunity that came along. And as you are aware, we purchased the assets of V Shapes S.r.l from an auction on March 29th. This is s run through our own subsidiary, CP Italy S.r.l. So, the packaging monodose market, what we felt was a very big market. We have got something innovative and different, but of course it's going to take time for it to happen. So, I think that if you ask me in terms of strategy, the Track and Trace is more developed, maybe should start seeing some good results this year. The digital printing also is going to give us some results in India this year. Some work needs to be done internationally to expand the performance of that business in Europe. Some more sales strength needs to be added. And I think as far as the packaging business goes, like I said, it's going to take at least two more years for us to see that type of thing. Even with all the other things, we are just building blocks. We are not at the level we want. But yes, we are at least, I say, in the Track and Trace of the printing business, at a level where they are not going to lose money and maybe they will actually even make profits in this year. And as far as the international expansion goes, it's something that has been a bit slow. And we have to go in the right structure. But that's something also we are working on, definitely to see how we can expand and target certain other different markets of ours. So, I think those two aspects, the international part and the packaging business are going to take more time to mature and definitely we should actually see positive results in terms of the digital printing aspect in order to add to our existing business in India and elsewhere and similarly with Track and Trace business. So, I think that sort of covers what happens. Like I said, all these four things were separate things, all related to our existing business. And they were all to increase the longer term targetable market and to increase our long-term growth rate.

Saket Kapoor: When we compare our Q1 results, the standalone and the consolidated part, there is a cash burn of closer to around Rs. 4 to Rs. 5 crores. That means the PBT for standalone is at Rs. 20.36 crores, whereas for consolidation it is closer to Rs. 16 crores. So, what should be our run rate going ahead, taking into account the consolidation which you just spoke about the two segments which will start contributing to the bottom line and single dose part of the story and other aspects getting traction going ahead. What should investors penciling-in in terms of the variation in the profitability for the standalone and consol number?

Shiva Kabra: So, it's not possible for me to predict this easily because both the Track and Trace and the digital printing aspects first, which are going to come a lot of this is going to come in our standalone results because whatever we are selling in India is not in a separate subsidiary, it is directly by Control Print. So, we reflected in standalone results, but they are very lumpy types of sales like you get a project for a certain amount of value and then you get nothing for one, two months and you get something bigger. And obviously in the long term, as you sell more, you'll get more AMC business, more ink business on our printers and of course, you get more paper codes or something. So, hopefully it will result in more stabilized business over a longer period of time. But as far as the consolidated and the standalone results, the major difference you see, it's quite simple. It's because in CP Italia, I told, we purchased V-Shapes from an auction process. So, it's something, if you really look at it cozy, what we really bought was a technology, a set of intellectual property and patents. That's what we really purchased. And we had to restart the company because, and obviously what we are doing is we have got an investment plan. And this year we had a €3 million budget for V-Shapes. So, €1.5 million is the basic cost of having the entire technology development team and all the expenses associated with running the company. €1.1 million was the R&D budget that we have allocated out there for this year. And then the remaining €500,000, €600,000 was for the sales and marketing, which is still implementing people. We don't have a sales strategy, frankly, in place as yet because we still need to identify the right set of people whom we started doing that recently. But if you add it up and then you subtract some of the sales that we made out there and the revenues we booked, so you'll see that we made approximately like the Rs. 5 crores difference comes entirely from CP Italia. But so far, to me, that's part of the strategy. We knew that this was going to happen. It's part of the plan for us to invest in it and to grow that business. And obviously, as far as I think what is going to happen in the other businesses is that they were negative, and at least they will be breakeven or positive in this year. And the major investment that I see, I mean, obviously, like in the end, we are probably going to look at standalone Control Print coding and marking business to generate the cash flows to make sure that everything runs profitably and at all without affecting the overall results. But again, like I said, this is a planned investment. So, we have to go through that phase to go the business because that's what our target is to make this as a platform. And we think it has the same scope, if not bigger than what Control Print is currently doing as itself.

Saket Kapoor: But I missed your last two sentences.

Shiva Kabra: No, I am just trying to say something that Control Print was built over 35 years. I mean, I don't know when I started myself, I think 89 or something. So, this business has come over 35 years to this position. Even if you look at what happened, it took years for the market to be established for it to come to that level. So, what we are trying to do in the packaging business is we believe the opportunity is there. Of course, I've said it's a high risk. There could be that it might not be the opportunity. It might not be successful. All these things are there. But what we try to do is find out the answer as to whether this can be a business of similar size and profitability as Control Print, but do that in a three, four, five year period for which we need to put in more money to invest and grow that business fast because we don't want to build that business over a 35-year period. And anyways, the patents will expire in 2030 or something like that. So, we have to move and create our markets before then, and dominate that market. So, the idea is that we want to create a platform in the packaging machinery business around the patented IP that we have similar to what we are doing with our Thermal Inkjet , where we have got a few key patterns and that's where we are focusing more and more of our growth business, especially the international business. And it's the same thing out here where we have got some intellectual property and which has a high value product and we feel that if we market it well, if we sell it well, we do everything well. Like I said, there is a chance that this business would be a strong platform. Again, like I am saying, everything is full with risk. So, obviously this depends on my judgment and most importantly, execution. But this is what we believe as of right now. And that's why we are investing in that business. And it's still growing the R&D, we are still doing more things out there. And that's the key idea. But fundamentally, the Rs. 5 crores difference is the Rs. 5 crores loss with CP Italia. Between the consolidated and the standalone statement, someone has asked me that, but the budget is there. So, the sales don't keep increasing in that subsidiary. The machines don't get sold and that time is going to take to get rebuilt. You know, there will be losses because there is a budget of €3 million. And so, if you divide that, we are spending €750,000 out there a quarter, which is I think about Rs. 7.5 crores over. I mean, that is something give or take a little bit here and then the exchange rates and all, something Rs. 7 odd crores or whatever a quarter. So, if you are losing five, that means we only made a core gross margin of two out there. I mean, if you take a straightforward set of calculations.

Saket Kapoor: Sir, I was commenting that this would be the run rate going ahead since you have budgeted it for the year for CP Italy. So, for a quarterly basis, the run rate is going to be between Rs. 5 to Rs. 7.5 crore. That should be the run rate for this financial year since you have already budgeted for the same.

Shiva Kabra: I am talking about the expense that we are incurring. I don't know what we are going to get.

Saket Kapoor: But expenses have been budgeted, yes.

Shiva Kabra: That's what I am saying. So, the Rs. 5 crores loss that there is because we budgeted an expense of close to Rs. 27 – Rs. 28 crores, which is part of our planned budget, which we are spending over each quarter. And we feel we are on target with what we want to do. Of course, we want to do a few things faster in terms of getting certain things up in terms of certain sales and marketing activities, in terms of certain developments, but we are on track. And this was part of our plan to spend this much every quarter this year. In that respect, we are doing that fine. But we also, like I said, it's going to take some time to get everything back in place to understand what sort of market we are doing. And don't forget, this is the investment in CP Italia, we are also making equal investments in India also to make sure that the businesses also, because the entire Asia

Pacific and Africa is going to be controlled by India. And the CP Italia will be more useful marketing in Europe, the European region.

Saket Kapoor: Right, sir. And for last point and I will join the queue. For the domestic market, since we have a long discussion about our investment, how are you seeing current year in terms of the consumables contribution in the total pie? Since now we have threshold number of 19,000 plus printers. And also, if we see an uptake in the economy in the second half or going at since Q1 numbers looks on the right track. So, this year, can we look to be closer to that 400 mark as being envisaged by the board earlier? And also, if you could give some more color how the consumable percentage or contribution is likely to be for this financial year?

Shiva Kabra: Saketji, there is no change in our gross margins at all at any product level. What change in different situations might be the type of allocations or investments we are making, which can affect the profitability. But on the gross margin, whatever products we sell, we are not discounting them, or we are not seeing any change in margins out there. Neither is our plan to reduce any margins anywhere. Like Jaideep said, we for the first time are looking at certain cost optimizations. So, we will see how practical they are, we will discuss that internally and see whether that can be done or not. But yes, so I think the 1st Quarter, if I am right we had done Rs. 88 – Rs. 89 crores at the end, which was slightly below expectations for me personally. But I think it's very difficult to say in our business in a single quarter. The pipeline is good. So, I don't know if it's like we were unsuccessful or we were just a bit unlucky, and a lot of orders will slide into this quarter. I would not say anything, but I think that definitely we obviously still aspire to make that Rs. 400 crore target this year. We definitely still aspire to make that target.

Saket Kapoor: Right. So, I will join the queue. I have some general details more from Mr. Jaideep. I will join the queue once again. Thank you.

Shiva Kabra: Definitely. And if there is specific numbers that people need, or some very specific details, because I don't know what comes in the presentation or what's prepared, but you can definitely check with Jaideep. But if people even ask that in advance, then we can always prepare it and submit it to you during the presentation or during the meeting.

Moderator: Thank you. Next question is from the line of Nishant Joshi, an individual investor. Please go ahead. Since there is no response, we will move to the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: My concluding point was about the management bandwidth part also, which you were alluding to. That it is the core decision making lies with you to take the way forward for these investments in the different geographies of the world. That also have a geopolitical impact also. So, taking that into account and the bandwidth part, what sorts of preparation or the team building exercise are needed to grow these businesses? And for the numerical part, sir, how much have we totally invested as of now for the CP Italia, Markprint, and in the Codeology Group? If that, the ballpark number would be same.

Shiva Kabra: So, I will take that as two questions, but the first question as far as management bandwidth goes, now I think that we have been preparing it for the last four or five years now, in terms of what happened, we have to understand that at least 2 or 3 of the subsidiaries that are abroad, both Codeology, Markprint and CP Italia have their own local CEOs and other types of people that we have hired. So, it's not always everything is being pushed onto Control Print. But yes, the integration needs to be deeper with them. What we do have is that we have also been preparing from our own side. A lot of our own managers have got that level of skill. And maybe that's also slightly where the thing is because some of these other people are being pushed out into new positions, new types of markets or opportunities. And we are getting their juniors and other new people into looking at the existing workout here. Maybe that's slightly slowing down things like, we also had a big sales strategy change, as we had explained earlier, in terms of a combination of industries and verticals and applications, rather than being very geographically focused. And so it could be that combination is, made means that, it still needs a little bit of time to really settle in. But I feel like the pipeline is strong for this year and so far, and we should still, like I said, if not hit it, but at least be very close to 400 as of right now, is what I believe on standalone basis. As far as the second part of the investments go, we made an investment of about Rs. 45 crores totally upfront as of by March 31st between CP Italia and whatever those products, V-Shapes products were in India. So, between India and Italy, we had invested about Rs. 45 odd crores approximately, give or take a few percent here and there. In Markprint, we have invested €1.5 million about 2.5 or 3 years ago and we have invested a further €400,000 so that's €1.9 million in total. I think it was Rs. 12 crores that time and now of course recently because the rupee depreciation may be slightly more. In Codeology, we have invested exactly a million pounds into that business. So, those are the three major investments internationally that we made in the European side. But they are three very different investments, with three very different purposes. So, it's difficult to compare them. So, that's the major thing. And then, of course, whatever the operating, like Codeology and Markprint are both profitable companies, so Jaideep has more numbers, you can definitely speak to him. And we obviously expect that the profitability should increase in both companies. As far as CP Italia goes, of course, not only that 45, but like you said, we are funding it further, and we have funded it like a certain Q1. So, we have got a budget for it, and what the final bill is going to be, it is going to depend on what sort of sales we have during this year. I assume that the pipeline will be stronger, and we will see more revenue coming out of that side towards the end of the year and things do look better, even if not in terms of monetary terms but in terms of real revenue and future market visibility.

Saket Kapoor: Just to dwell it further, CP Italia investment is Rs. 45 crore. And this year we have budgeted something closer to 28 to achieve the higher revenue base, that's what the pipeline is for the year?

Shiva Kabra: So, again, Rs. 28 crores is what budgeted to CP Italia as an expense budget. Because we bought it through the auction process. And as a result, the company had temporarily stopped for a few months but before that they were selling about €2 million to €3 million themselves, so they had a turnover. So, we are expecting to recover some of that turnover also. So, it's not like Rs. 28

crores the expense budget, but we also expect them to hopefully make some money. So, Rs. 28 crores would be the loss, we sold like zero in the year, but obviously if they do some business and make some profits, then that would be reduced. So, I am going to talk about the expense part because that's all I can predict right now. I don't know how much positive revenue we are going to do because it's still in a very early stage and we have got a certain operating style so we can't just like put our hands and feet everywhere and just sell anything anywhere. We want to go in a very specific manner.

Saket Kapoor: And for the other two subsidiaries, they are self-sufficient. They do not need any funding neither Markprint nor Codeology, or they also need funding from the parent?

Shiva Kabra: No funding required at all. They are both profitable, so they are both self-sufficient and they don't need anything. We are not taking dividends out of theirs yet, but we don't need to invest out there either. We want them to use the money to grow the business faster.

Moderator: Thank you. We will take our next question from the line of Karan Bhatelia from Asian Market Securities. Please go ahead.

Karan Bhatelia: Jaideep, can you help us out with the revenue mix across printers, consumables, spares?

Jaideep Barve: Yes, sure, Karan. For the Q1, for the printers, it's about 14% of the overall revenue; consumables is 66%; spares is about 7% and service income is about 13%.

Karan Bhatelia: Right. And the number of printers sold this quarter?

Jaideep Barve: The number of printers we sold in this quarter is about 622.

Karan Bhatelia: So, flattish YoY, right?

Jaideep Barve: Yes, I tell you what. There is a timing difference because what has happened is that there are quite a few large prospects we have got, but the orders were delayed for finalization, so hopefully this will be realized in the Q2.

Karan Bhatelia: Correct. And with respect to EBITDA margins, how comfortable are we taking this run rate for the rest of the year?

Jaideep Barve: See, current I think what this is a classic case of product mix. It all depends upon how much of printers would be sold in majority versus compared to the consumables, it is just Q1. So, it's very hard to predict the mix of that.

Karan Bhatelia: Because I was looking at your gross margin profile, it is pretty decent compared to the last couple of quarters.

Jaideep Barve: We are doing well, and hopefully we would like to continue the same trends. But I can't really tell you exactly because the product mix always changes.

Karan Bhatelia: And also, we have been talking about price hike which we keep talking. So, how much of that is absorbed in the system and how much of it is yet to be taken. Can you quantify that?

Shiva Kabra: Yes, I think we had done one like a year and a half or two ago and so I think that has been pretty much fully implemented. We are going to have our next manager's meeting in October this year. And obviously we need to do some more studies on our own side and see if the costs and other things have increased. Normally we increase the price of AMCs and filters and spares every year especially of service of labor-oriented things because of the engineers get paid more. So, that's a consistent increase.

Karan Bhatelia: I wanted to understand more from the Red Sea issue. So, anything specific out here?

Shiva Kabra: It made no difference one way or the other. Just a slightly longer like lead time or something, but because of COVID, we were used to all this rubbish now.

Karan Bhatelia: And any major CAPEX ready for this year and next year?

Jaideep Barve: No major CAPEX for the coding and marking.

Shiva Kabra: For the coding and marking, nothing, but we might make a major expansion in terms of the packaging business. So, we are looking at that quite actively. So, as you know, the specific type of machine that we have created it's a mono-dose type of machine, a single serve, a mono-dose as you would call it, for a single serving. And it's an alternative to a thermoform or a sachet or other types of single use tubes or something. So, for that, the material is linked to the machine, sort of like a Tetra Pak thing. So, if you buy a Tetra Pak machine, you have to use the Tetra Pak material from Tetra Pak. And so, we are also considering setting up a unit for making this material in India. But currently, we are purchasing it from Italy and the price of the material is quite high along with lead times and other issues. And we think that that will be one of the bigger issues going forward in large customers who have, because they are more sensitive to the material price rather than the machine price. So, that's something we are looking at actively. But we are still discussing that board level. As and when we have something to announce, we will definitely get back to everyone. But we are looking at it quite actively because we feel that significant savings are available while maintaining the margin profiles. And that would also turbocharge the business.

Karan Bhatelia: And last question from my end is with respect to mask business. That's it.

Shiva Kabra: With the coding and marking business, I don't think there is anything significant, at least, maybe some maintenance level.

Karan Bhatelia: And how do we see the mask business going ahead? That was the last question.

Shiva Kabra: So, it's not that much of a major focus. The thing is, the mask business is one of those businesses, it's not losing money. It's not really making money. It's very marginally positive is what I will say. So, it's going, it's not a big focus right now. It is not taken a lot of my own personal bandwidth. Mr. Kshitij Morarka, HR and Marketing Head has that additional responsibility of this. So, he's got some stuff that he's created with the team out there to make a plan to look at that. But like I said, so far for me, this last three to four months, I've not really personally been involved in it. It's one of those businesses which is neither profitable nor losing any money either, you know. So, because of the opportunity cost, we don't want to shut it down in case we want to do something again. So, right now, we are just keeping it going on that basis, but we also want not a plan for the longer term. So, give us maybe like one or two quarters to give a definitive response on how we want to take that thing forward.

Moderator: Thank you. We will take our next question from the line of Disha from Anvil. Please go ahead.

Disha: Sir wanted to ask that you mentioned that we have invested around Rs. 40 to Rs. 45 crore in CP Italy investment. And just wanted to confirm, so we spend another Rs. 30 crores throughout the year for the planned expense. Am I getting it right?

Shiva Kabra: Partly right. So, what I think is that we have spent about I think €3.7 million plus a good chunk of other expenses which have not come in that transaction because all the ups and downs and this thing and whatever the other secondary opinions that happened on the transaction. We have also invested in some sort of facilities within India and in some of other spaces to be prepared for that and that's part of the rest of the investment that takes it close to Rs. 45 crores, so it's not specifically in CP Italy. CP Italia was a €3.7 million if I remember just very approximately and the rest of it was spent in India preparing for this business in India also. And another Rs. 28 crore operating budget like a expense budget of Italia because that's the entire expense out of which Rs. 13 or Rs. 14 crores is the cost of people and all the other stuff like electricity and travel and all the other types of things. Rs. 10 to Rs. 11 crores is the cost of our R&D budget for this year because we are working on improving or taking the technology to certain other parts that we can do. So, we tried to extend it because a mono-dose packaging for the liquids, but there are certain other applications we can do with it also. And I can't see anything because we are under the patent filing process for some of the developments we have already done and some of the stuff is already done. So, we will give you all the post facto news once we finish our patent filings and they've been accepted and filed, and then let you know what we have done in terms of our further R&D. We have also developed some of the accessories around this. So, like, not only the machine is there, but the automatic cartoning machines, the other types of things that go along with this, those have also been part of that R&D project. We have also put an RFID, which is one good synergy that's happened to me because, like I said, the material is connected between the machine and the material. So, this will ensure that nobody else can use any other type of material on the machine except for our material. So, I said Rs. 28 crores is the total expense. It's not taking into account any revenues in there. So, what is there is obviously they were doing some business previously. We expect them to do more business towards the second half of the year as we get our strategy in place. Obviously, because the company shut down for a few months, it went through an auction process. Some of the companies, customers, there is a supplier, everyone has a negative mindset at that point of time, to be honest. And that's something we have to deal with before the revenues flow back in, and we are working on that part. So, that's something that we are working on. So, like I said, in a worst-case scenario, we could lose Rs. 28 crores. In the 1st Quarter, we have already spent a quarter of that money, but we have also made some profit, some gross profit. Therefore, the loss was Rs. 5 crores. I can't say for exactly what's going to happen in the next three quarters. Yes, if you are going to ask me what is the worst-case scenario, I will say we lose Rs. 21 crores. But I am expecting that we will also sell some things out there and make some positive revenues. So, that's something we will only time will tell. But we know that this was part of our strategy, this was part of our budget, and we had planned for this very much. And we wanted to make sure that it happened through the auction, so there were no liabilities that were there. So, this is part of our plan of budget.

Disha: And sir regarding the Indian business, the printers we have sold, isn't it easy to predict the revenue because of the consumer sales, which is a short phase, because our printer can use only our consumer bills? So, that Rs. 400 crore and also for next year because our printers use, generally 3 years we get the consumer sales, 7 to 8 years, so at least we can predict the revenue for the coming 2 years. So, is it possible?

Shiva Kabra: Yes, of course, what I am saying is that we don't give any predictions specifically, I know the board has given a target towards Rs. 400 crores this year and Saket Kapoor asked for that specifically and I said that it looks like we will be close to that if not there for this year in this thing. Like you said, there is a definitely a predictability in our business in terms of repeat sales, but it's very difficult to predict exactly how many printers we are going to sell in a year.

Disha: Yes, in a range bound.

Shiva Kabra: Yes. So, those things are there, but yes, we are not seeing a bad business in India. Like the market outlook is still good. Like I said, because of a change in strategy, because of change in industries and verticals, because of a little bit of management changes into some of the newer areas that we needed the thrust. There was some minor slowdown, and I am not happy with the Q1 results, but I don't think the pipeline is fundamentally bad. I am talking about standalone business. I am actually less worried about the consolidated aspects. And I think that what we can see is definitely that if we can, like I said, as you are working towards bigger sales deals, it is having a longer period. And that was part of our sales strategy to work with the customers at multiple levels or higher levels and try to execute large projects with them, or rather than constantly sell. And so, it's something that prolongs this whole sale cycle of making it a bit more lumpy in terms of that upfront printer business. But the other consumer's business is quite predictable. And I think also what we have seen is, as a result, over the last two, three years, we have focused on larger customers. The stability of their own businesses is quite high. So, we are not seeing that much fluctuation in the consumers business.

Disha: And so, in terms of market share, have you taken any clients from the other three players because of this Make in India or whatever concept, if it works in this industry and any change in market share related?

Shiva Kabra: So, I can see Markem Imaj, Videojet and Domino, all three have a long history in India. India is frankly not that patriotic nation is what I will say. I mean, I don't know how people want me to say it in that way, but there is no like feeling of a Made in India or like how it would be in Japan like it's made in Japan or in Germany. Like, so there is no real benefit in America or something. I think like if anything, people prefer international products normally. But we also established in this market for a long time and everyone knows us. So, I don't think there is any advantage or disadvantage between the four of us coming down to execution. Yes, we do get customers from our competitors all the time. And I am sure vice versa also it happens. But it's marginal. We have gained minor market share over the last three, four years, but consistently. Yes, it's just going to come down to execution to keep increasing that market share percentage between the four of us and then also in the overall market. So, the four of us are still, I think, Jaideep will have a better picture, but I think would still be 75% plus of the overall market. So, 75% to 80% of the market will still be the big four.

Disha: And just the last question, sir, one, why is Domino's like, it has more margins than us like the rest other players are quite below our and we are very efficient comparatively but in terms of Domino’s, they are like around what data we get from private companies 30% and we are around 25% EBITDA margin. So, is it because they spend less on advertisement or something like that?

Shiva Kabra: So, there are two, three reasons. And of course, from this year onwards, I would say like, or even last year, the figures are not comparable because Domino has started the label press, the digital printing press business, and that's actually doing quite well. So, they are getting a reasonable chunk of revenue from that and that's distorting the figures. I would actually expect that business to have a lower margin in the coding and marking business, at least as of right now. But to put a long story short, they just got a higher base in this business. If the base is higher, the number of offices, people and all, it just becomes a bit more efficient maybe not so much in gross margin terms, but in terms of SG&A, it definitely becomes more efficient as you become bigger. And I think that's one of the major reasons. And the second thing is, I think we have also been going through a bigger set of investments in the last few years with regards to Track and Trace, with regards to packaging, with regards to digital printing. So, we have to incur those costs, which are all part of our own standalone and we are not giving you like, okay, what I made 3% extra here, but I lost, last year being like our track and trace team and our software development and everything like that. So, we are not giving that sort of a thing. It's just a bundle. So, I can't give you the exact thing because we don't give that type of breakup, but I think that if some of the investments that we are making in a growing or increasing our long term potential output were removed and you just look at Control as a pure coding and marking standalone business, then this would probably be more profitable. And the third reason is that you have to understand we have to do our own R&D, we have to also pay some royalties to some of our partners and all those types of things. I don't know what those numbers are again, Jaideep has got them. But if you take out that royalty figure, I think it's published, if I remember correctly. And you take out some of the other R&D investments that we have to do ourselves as a standalone company, whereas Domino is doing obviously more investment. But that's sort of global based. Whereas for us, that percentage of development R&D cost as a percentage of ourselves is significantly higher to maintain our IP competitiveness versus a Domino, Market Imaje and Videojet, you have got something like they are billion-dollar companies. So, if they spend $20 million, that's like 2% of their ethics. We are spending probably more than that as a percentage. If I look at royalties, they were licensing those technologies or R&D types of things. So, the turnover is like Rs. 340 crores. If we talk about like Rs. 7 crores as 2%, we definitely spend much more than that. So, that's part of the third aspect, which I will say that, and this might be a permanent aspect, because Domino is just a bigger company, they are always going to have a bigger, or even Videojet and Markem-Imaje, they are bigger companies, and they are going to have a bigger opportunity to spread those costs over a big space. And that's something that, I think this factor cannot be changed.

Moderator: Thank you. The next question is from the line of Rupin Masalia from RN Associates. Please go ahead.

Rupin Masalia: My question is, it is nice to see that when it comes to capital allocation, we are committing towards core business, or maybe towards adjacencies in increasing the total addressable market for us, rather than what earlier we used to do by building up the treasuries and equities. So, that's a good thing. And since in recent years, we have committed overseas in Markprint, Codeology and CP Italia. I know currently CP Italia is like an incubation. But then if strategically everything falls in place over the next three to four years, maybe in 5 years’ time, all these new initiatives, especially overseas investments, how big can it become in terms of generating revenues and of course profitability? This is question number one from my side.

Shiva Kabra: Oh, yes. I think that obviously like, see, we don't want to predict, we don't even predict our own coding and marking business revenue. Saketji who was part of the AGM and obviously asked Mr. Kabra and the other directors and there is a Rs. 400 crore thing. So, I was told that we are still committed to that. And that was on a standalone basis for Control Print, primarily around the coding and marking business. Now as far as other things go, obviously each thing has its own market and the addressable market, the ideas, right, so that the addressable market will get bigger with these other things. But in the end, we can't predict what it is. Obviously, one or two bigger things that we felt like when we are talking about specifically the V-Shapes acquisition, we felt that this has the potential to be a platform play in the longer term. So, not just an adjacency, but a full platform which could be of a similar size and profitability as Control Point, if not bigger, because it's a definitely much bigger addressable market. But it's difficult for us to give any type of prediction because, we don't know ourselves. We are still like I said, some things are in the investment phase, some things that we are seeing better, now that we have got like things outlined and we are seeing converting into revenues. And one, two things are still in the investment phase. And our strategy and execution still needs to be developed on all of these different phases and all of the different product lines and some are like at a certain stage, like in the packaging business, where we need to do a lot of work. And then in some businesses, we still need to do a lot of optimizations further. Like even in Track and Trace or something, there is still a lot of things that we still need to do to, in the end, if we are doing a business, we want to be number one, we just want to add some revenue and our profit to our company. We want to be the leader in our IP and the sort of technology and the sort of benefit is bringing to customers, not just be there and not just use the Control Print network to cross-sell it, but we want to lead genuinely by giving the best sort of technological platform available to those customers and do something that's going to be two steps beyond what everyone is providing currently. So, it's going to take some time, but it's not possible for me to predict any market. Definitely I can say that the addressable market is bigger but in the end it's all going to come down to whether we can keep innovating in terms of the technology. We can make it as reliable as a current coding and marking platform. And that's something that's very important for us to make sure that's extremely reliable. And the last part is then we are going to come down to the sales and marketing execution. And obviously, that's something we are working on parallelly. It still has to be developed. I think Saket Kapoor asked something about management bandwidth and that's a fair question. So, we only have a certain number of experience resources that we can at cross allocate to other businesses without affecting our coding and marking business too much. So, we are doing that, and we have done that. But it can only happen at a certain pace.

Rupin Masalia: Okay, yes, that's helpful. And last question from my side is pertaining to standalone business, like within the standalone coding and marking business, pharmaceutical vertical, how it is fairing especially in the light of mandatory requirements of QR code for top 300 selling formulations. So, how is the pharma business fairing?

Shiva Kabra: So, it's looking promising. I can tell you the pharmaceutical, entire whatever pharmaceutical business we were doing in Control Print, that has been taken out and handed over to the entire Track and Trace division. The Track and Trace division sales team is responsible for not only track and trace sales but also all sorts of sales to pharmaceutical companies because that's going to become more and more common. And I won't say anything because like obviously and there are some of those top 300 brands which are being using our codes and being integrated with us. We are not number one by a long in that top 300 brand list, but we are looking at getting up there and I will give you some maybe towards the end of this financial year. I will give people a better update on that. We are still working on some companies, and we are still working on some deals and I am hoping that, again we don't talk about it once we actually execute those things, not even like we get to business. So, I will tell you about that later down this year. I will be able to give you a very good, better idea that whether we are succeeding or we are not by the end of this financial year.

Moderator: Thank you. We will take that as the last question for today. I now hand the conference over to management team for closing comments. Over to you, sir.

Jaideep Barve: Yes, this is Jaideep here. Thanks a lot everybody for taking out your time. Keep supporting us. Look forward to your continued support.

Shiva Kabra: Thanks Karan. Thanks everyone for participating. I think a good set of questions and really happy to address them. Thanks everyone.

Moderator: Thank you sir. On behalf of Asian Market Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.